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C O N F I D E N T I A L MOSCOW 002301

SIPDIS

E.O. 12958: DECL: 08/05/2018
TAGS: PGOV ECON EIND MASS RS
SUBJECT: FSVTS RELATIONS WITH ROSTEKHNOLOGII

REF: A. MOSCOW 2122
1B. MOSCOW 1503

Classified By: Acting Political Minister Counselor Margaret D. Hawthorn
e for reasons 1.4 (b) and (d).

11. (C) Summary: Officials from the Federal Service For Military-Technical Cooperation (FSVTS) told us the Presidential decree transferring the GOR's shares in RosOboronExport (ROE) to state-owned RosTekhnologii (RosTekh) stripped their organization of managing ROE in all areas except military-technical cooperation. All other aspects of ROE operations would be managed by RosTekh, they said. Aside from their connection to ROE, FSVTS and RosTekh were completely separate entities, and were neither competitors nor partners. They added that all of ROE's enterprises and companies were now controlled by RosTekh, although the actual transfer of shares had not yet happened. End Summary.

FSVTS No Longer Controls ROE

12. (C) FSVTS Chief of the Second Department on Military-Technical Cooperation with Foreign States Aleksandr Skobeltsin, Advisor to the FSVTS Director Gennady Buchukuri, and FSVTS Protocol Official Yelena Kavtyreva told us the Presidential decree signed by President Medvedev on July 10 that transferred ROE shares to RosTekh (ref A) reduced FSVTS's role in managing ROE. Whereas FSVTS used to manage all of ROE's operations (ref B), it now manages only the company's activities concerning military-technical cooperation. According to Skobeltsin, RosTekh controls all other aspects of ROE's activities, including the budget. FSVTS no longer has a say in personnel matters, corporate planning, or day-to-day operations, except in matters directly related to military-technical cooperation. Despite the reduced work load, FSVTS has added approximately 50 new employees (for a total of 350), most of whom work on upholding the GOR's export control regime. According to Skobeltsin, the Ministry of Industry would arbitrate any disputes FSVTS and RosTekh may have regarding ROE.

13. (C) To illustrate FSTVS's reduced role in ROE operations, Buchukuri offered the example of computer donations ROE sometimes makes to Russian schools. In the past, he said, FSVTS had to approve such donations, which distracted FSVTS from focusing on military-technical cooperation. Now, such donations are approved by RosTekh.

Presidential Decree Does Not Alter FSVTS Proper

14. (C) According to Skobeltsin, FSVTS and RosTekh are

completely separate entities, with FSVTS concerned with politics and military-technical cooperation, while RosTech is concerned strictly with business. The two organizations were neither partners nor competitors, he said. Skobeltsin added that a full report on the state of Russian military-technical cooperation would be issued in March 2009.

ROE To Hand Shares To GOR

15. (C) According to Skobeltsin, all ROE enterprises and companies were now controlled by RosTekh, and so all ROE shares would be handed over (not sold) to RosTekh. Skobeltsin said this transfer would happen "soon."

RUBIN